

Message Text

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PAGE 01 BRUSSE 08447 201826Z
ACTION EUR-12

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FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 0972
INFO ALL EC CAPITALS
USMISSION GENEVA
AMEMBASSY STOCKHOLM
AMEMBASSY VIENNA
AMEMBASSY BERN
AMEMBASSY OSLO
AMEMBASSY LISBON
AMEMBASSY HELSINKI

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USEEC

GENEVA ALSO FOR MTN

E.O.11652:N/A

TAGS: ETRD, EEC, EETA
SUBJECT: EC/EFTA RULES OF ORIGIN

REFS: (A) STATE 164824; (B) BRUSSELS 5092

1. CONVERSATIONS WITH COMMISSION SOURCES AND SWEDISH
MISSION INDICATE THAT BASIC SITUATION WITH RESPECT TO
PROSPECTIVE CHANGE
RULES OF ORIGIN HAS NOT CHANGED
BUT THAT CONTINUED ECONOMIC SLOWDOWN IN EUROPE HAS
AGAIN LED COMMISSION TO POSTPONE ITS PLANS TO FLOAT A
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PAGE 02 BRUSSE 08447 201826Z

PROPOSAL BEFORE MEMBER STATES. COMMISSION INDICATES
CONCERN THAT A PROPOSAL TO LIBERALIZE RULES OF ORIGIN BY
ADOPTING AN ALTERNATIVE RULE FOR CXT CHAPTERS 84-92 WOULD
BE REJECTED BY SEVERAL MEMBER STATES IF ADVANCED AT THIS
POINT IN TIME AND WOULD MAKE EVENTUAL LIBERALIZATION OF
THE RULES OF ORIGIN LESS LIKELY. FOR THIS REASON,
COMMISSION HAS CONTINUED ITS PREPARATORY WORK ON RULES

OF ORIGIN CHANGES BUT DECIDED TO HOLD OFF SUBMISSION OF A PROPOSAL UNTIL LATE SEPTEMBER OR EARLY OCTOBER OF THIS YEAR.

2. COMMISSION UNDERSTANDS THAT CONTINUED INABILITY TO ACT IS CAUSING A CREDIBILITY LOSS BOTH WITH EFTA COUNTRIES AND WITH US ON THIS ISSUE. SWEDISH MISSION HERE INDICATES UNDERSTANDING OF COMMISSION PROBLEM AND STATES THAT EFTA COUNTRIES, WHILE NOT SATISFIED, ARE WILLING TO LET PROBLEM SIMMER FOR SOME TIME LONGER. BOTH COMMISSION AND SWEDES TELL US THAT AN EXPERTS MEETING, GROUPING COMMISSION, MEMBER STATES AND EFTA COUNTRIES LAST WEEK REPORTED COMPLETE AGREEMENT ON A NEW TEXT TO PROTOCOL 3 OF THE EFTA AGREEMENTS WHICH CONCERNS THE DEFINITION OF THE CONCEPT OF ORIGINATING PRODUCTS. A NEW TEXT BECAME NECESSARY BECAUSE THE EC WILL ADOPT CERTAIN NOMENCLATURE CHANGES APPROVED BY THE CUSTOMS COOPERATION COUNCIL (CCC) IN THE CXT TO BE EFFECTIVE JANUARY 1, 1978. ALTHOUGH THIS IS BASICALLY A TECHNICAL IMPROVEMENT, THE SWEDISH MISSION HERE BELIEVES THE NEW PROTOCOL WILL BE EASIER TO UNDERSTAND AND WILL FACILITATE RULES OF ORIGIN PROBLEMS FOR TRADERS. COMMISSION AND SWEDES BOTH INTERPRET REMARKS BY COMMISSIONER DAVIGNON REPORTED IN REF A AS PART OF AN EC EFFORT TO SIMPLIFY CUSTOMS ADMINISTRATION AND PROCEDURES, NOT AS AN INDICATION OF A TIGHTENING OF LIMITED OFFICIAL USE

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PAGE 03 BRUSSE 08447 201826Z

RULES OF ORIGIN OPERATION.

3. COMMENT: AS WE NOTED IN REF B, MISSION CONTINUES TO BELIEVE THAT LOW KEY AND CONSTANT PRESSURE BY EFTA COUNTRIES AND US STILL HAS GOOD POSSIBILITY TO PRODUCE EVENTUAL LIBERALIZATION OF THE RULES OF ORIGIN. WE ALSO CONTINUE TO THINK THAT EFTA COUNTRIES SHOULD BE OUT IN FRONT ON THIS ISSUE WITH OCCASIONAL US SUPPORT. AS NOTED IN REFTTEL B, WE SEE NO PRESENT ADVANTAGE IN RAISING QUESTION IN AN MTN CONTEXT AND, SHOULD THAT EVENTUALLY BE DONE, WE STRONGLY URGE THAT WE WORK INDIRECTLY TO GET AN EFTA COUNTRY TO TAKE THE INITIATIVE. HINTON

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